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Venezuela

Exporter Guide

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Report Highlights:

~~Venezuela remains a significant importer of agricultural products, with total imports reaching~~ \$2.1 billion in 2004. The United States is still the largest supplier, with product sales totaling \$386 million in 2004. Due to the currency devaluation in recent years and some internal governmental policies, Venezuela has shifted from being a rapidly growing purchaser of high-value food products to focusing more on imports of basic grains and items for further processing.

Includes PSD Changes: No
Includes Trade Matrix: No
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Caracas [VE1]
[VE]

I. MARKET OVERVIEW

Venezuela remains a significant importer of agricultural products, with total imports reaching \$2.1 billion in 2004. The United States is still the largest supplier with product sales totaling \$386 million in 2004. Due to the currency devaluation in recent years and some internal governmental policies, Venezuela has shifted from being a rapidly growing purchaser of high-value food products to focusing more on imports of basic grains and items for further processing. The main products imported currently, by value, are wheat, corn, soybean meal, animal fats, rice, and vegetable oils. Many other products are experiencing difficulties obtaining SPS permits.

Importers must register with the Exchange Control Administration Commission (CADIVI) for formal applications for foreign currency transactions. When approved, the transactions are then liquidated through the Central Bank and finally, through commercial banks. A complete list of imported agricultural products that can be imported at the official foreign exchange rate can be found at <http://www.cadivi.gov.ve>. Agricultural products have received the majority of dollars under the CADIVI system, since most basic food products are on the import list.

Demand for imported ingredients is strong since the local supplies are often hampered by inefficient post-harvest and storage facilities and costly farm-to-market transport, which often drive prices higher than world market. The local supply situation means manufacturers must look overseas for many inputs. Major imported food ingredients include: wheat; dairy products such as milk and cheese powders and whey; processed fruits and vegetables. Expensive specialty ingredients and organic ingredients are still niche items due to persistent and pervasive price sensitivity in the Venezuelan food and beverage market.

In the household, the time available to buy and prepare foods is being reduced. Consumers are increasingly willing to buy foods which require little preparation time. The incidence of microwave ovens has increased rapidly in the last decade. The availability of microwaves has further enhanced the demand for processed and ready-to-eat products. However, the economic situation has affected Venezuelans' purchasing power. Therefore, the low-income people still choose to buy basic products in many cases.

Demand for foods and beverages is driven by a population of 26 million that is growing annually, a food culture that emphasizes frequent snacking, and large workforce participation by women, resulting in the need for convenience foods. With two-thirds of the population under the age of 30, Venezuela is a youth-oriented food market. This fuels demand for new and trendy products, attractive packaging, and sweetened foods and beverages.

II. EXPORTER BUSINESS TIPS

Labeling Requirements

The label must include the following information:

- Descriptive name of the product.
- Brand name or trademark.
- Net weight (grams) or net content (liters).
- List of ingredients in decreasing order.
- Manufactured by (name of company) in (name of city, state, country).
- Imported by (name of importer/importing company).
- Special handling requirements, if any.
- Any other requirement stated by COVENIN norms, General Food Law or special requirements ordered by MSDS.
- The MSDS Registration Number.

Language

Spanish is the official language of the country. All labels should be presented in Spanish. Imported products may have labels in a foreign language with the respective translation in Spanish, in the same form and characters, and containing all previously listed requirements. The foreign label must be applied prior to export, because the product has to enter the country in its final presentation. Previous to authorization by health authorities, a label with all information in Spanish may be affixed to the English version label. Stickers are acceptable.

Import Licenses

Venezuela routinely uses discretionary import licensing procedures to curtail agricultural imports of products such as corn, dairy and oilseeds. For those products where the licensing system has not yet been implemented (45 products) such as beef, pork and poultry, the GOV at times, restricts the issuance of SPS permits to block imports.

Import licenses are valid for four months, and can only be renewed if, on expiry, they have not been used for reasons outside the importer's control. When applying for a license, established importers are supposed to submit a monthly list of imports actually realized, indicating volume and value, together with the invoice of the most recent import, also indicating the volume and value of the merchandise in question. The importer must indicate the amount of the allocated quota that remains unused, which in some cases is reincorporated into the quota to be reassigned.

Product Registration

Another requirement for the importation of animals and animal products or by-products is that the producer, exporter or importer also registers with the Servicio Autónomo de Sanidad Agropecuaria, SASA (equivalent to the Animal and Plant Health Inspection Service). The validity of the registration is indefinite, but it can be cancelled due to non-compliance with dispositions stated by pre-established laws and regulations.

Exchange Rate Policy

Currently, the exchange rate is set Bs 2,150/1US\$. Importers must register with the Exchange Control Administration Commission (CADIVI) for foreign currency transactions. When approved, the transactions are then liquidated through the Central Bank and finally through commercial banks. A complete list of agricultural products that can be imported at the official foreign exchange rate can be found at www.cadivi.gov.ve.

III. MARKET SECTOR STRUCTURE AND TRENDS

Food Service (HRI sector)

Restaurant food sales, especially franchises, have been increasing in the last year. Venezuela is a good market for franchising investments as demonstrated by the amount and variety of new brands penetrating the Venezuelan market. Profranquicia is the chamber that has been working to accomplish franchisers' goals, lead by a proactive team of young executives with approximately 180 members. This franchising chamber, founded in 1998, reports that there are 180 franchises currently operating in the country with a total of over 3,000 outlets/stores. Profanquicia reports that 42 percent of all franchises are fast food; 14 percent are clothing; and the remainder represents a variety of services such as computer training and dry cleaning services. Twenty seven percent of the franchises are of U.S. origin.

Most HRIs in Venezuela buy their food products at the lowest available price and prefer fresh foods to canned, precooked, or frozen ones. The HRI establishments buy products at many different points in the distribution chain, reflecting each product's particular nature. Fresh foods are bought at wholesalers, and nonperishable at hypermarkets whenever possible. As regard to refrigerated or frozen foods, the HRIs prefer to deal directly with the manufacturer, given most distribution centers' limited cold storage capacity. Imported liquors are purchased from specialized distributors/importers.

Food Retail sector

The retail sector in Venezuela is characterized by many disparate, small groups of outlets called "bodegas" that do not have sophisticated import mechanisms in place. These mom and pops coexist with large supermarkets and hypermarkets. The major supermarket chains belong to the National Supermarket Association (ANSA). A large number of importers/distributors service this sector.

The GOV's rising expenditures on social food programs (price controlled foods are sold at lower prices in government-owned stores called MERCAL) will have an impact on food demand. However, similar to the HRI sector, importers and distributors have also been affected by the foreign exchange restriction that the Government of Venezuela implemented in 2003, which affects imports of non-essential food items.

Direct Marketing

Marketing, through TV commercials, newspaper inserts, house visits or street vendors, is common. Mail orders are not an option because of lower reliability of the postal system. Supermarkets and hypermarkets like MAKRO, EXITO, EXCELSIOR GAMA and CENTRAL MADEIRENSE and several such companies have been successful by placing their catalogs in newspapers as weekend-issue inserts. Placing orders by phone with delivery by messenger is becoming popular, as the telephone system continues to improve, direct marketing by phone will become more common. Almost all businesses now use e-mail and some of them fax in their day-to-day business. E-commerce is in the early stages and could be a promising area for growth with some supermarkets now allowing consumers to order on-line or by e-mail for home delivery.

IV. BEST HIGH-VALUE PRODUCT PROSPECTS

The U.S. share of the Venezuelan food and agricultural market has been eroding over the past decade, falling to just 19 percent of Venezuela's agricultural imports in the last year. The United States faces increasingly tough competition from suppliers like Argentina, Brazil and Colombia that have established preferential trade agreements with Venezuela. Still, with so many suppliers from so many countries, the U.S. continues to hold the largest market share for any single country.

Demand for food is forecast to increase because of a stronger consumer purchasing power based on a projected increase in minimum wage. Also, the GOV's rising expenditures on social food programs will have an impact on food demand. In particular, demand for price-controlled foods will likely increase and result in more bulk commodity imports. Given the changing dynamic of the food import and distribution system in Venezuela, hard data on projected increases are difficult to estimate. Still, given the government's commitment to provide cheap, subsidized food for the poor, it is felt that demand will grow.

U.S. sales of bulk commodities to Venezuela have leveled off in recent years at around \$200 million, but wheat, soybean oil and soybean meal shipments could push sales higher, on a percentage base, value-added, consumer-ready imports have been the fastest growing sector for U.S. agricultural exports to Venezuela, topping \$45 million in 2004. But government's import restrictions have hindered the growth of that sector.

The potential growth for 2005 and beyond is cloudy at this time as non-tariff trade barriers such as the restrictive use of licenses and phytosanitary permits have become a major impediment to trade for basic food products. However, this 26 million-person market will remain an attractive destination for many food exporters. Contact AgCaracas@usda.gov (fax: 58-212-907-8333) for more details.

The following is an illustrative list of the major export opportunities and some of the emerging opportunities for U.S. agricultural products to Venezuela:

Corn (PSD Code: 0410000)

1,000 Metric Tons	2003*	2004*	2005*
A. Total Market Size	1,862	1,800	1,880
B. Total Local Production	1,170	1,200	1,230
C. Total Exports	0	0	0
D. Total Imports	692	600	650
E. Imports from the U.S.	681	590	640

* Note: Data is presented in a marketing year basis (i.e. October 2003-September 2004 for the 2004 year)

Corn

Corn production in Venezuela is focused on white corn for human consumption and precooked corn flour is a staple component of the Venezuelan diet. Very little yellow corn is produced domestically. Yellow corn is imported and traditionally goes to the feed sector, which has been severely battered by restrictions on imports in recent years. Demand for yellow corn in Venezuela has been softening as hog and poultry production has declined due to unfavorable economic and political conditions. The local poultry industry has been facing competition from Brazil.

Imports of yellow corn are subject to the Government of Venezuela's import licenses regime for corn. Proof of domestic sorghum and/or white corn purchases are required in order to obtain corn import permits. Due to the corn licensing restrictions and the same known battle to absorb the domestic sorghum and corn crops, processors have had to resort to higher inclusions of industrial by-products such as DDGS (distiller dried grains with solubles).

The United States has dominated the market for imported corn in Venezuela and is expected to continue to be the major supplier, but to a smaller market. Due to license restrictions, users have had to experiment with a variety of feed ingredients, some successfully and some not so successfully. In this atmosphere of improvisation, continued trade servicing, technical support, and marketing assistance are important in order to maintain and improve client loyalty and satisfaction.

Wheat (PSD Code: 0410000)	2003*	2004*	2005*
1,000 Metric Tons			
A. Total local market size	1,550	1,555	1,555
B. Total Local Production	0	0	0
C. Total Exports	10	10	10
D. Total Imports	1,560	1,565	1,565
E. Imports from the U.S.	860	900	900

* Note: Data is presented in a marketing year basis (i.e. July 2002-June 2003 for the 2003 year)

Wheat

Venezuela produces almost no wheat, but consumes large quantities of bread, crackers, pastries and pasta. Venezuela is the second highest per capita consumer of pasta in the world after Italy. Wheat for these products must be imported. Venezuela imports almost 100 percent of its wheat requirements, with the traditional suppliers being the United States and Canada. The United States is a natural supplier due to its proximity and the year-around availability of several wheat varieties. In 2003/2004, 55 percent of total wheat imports came from the United States and the remaining were imported from Canada. Venezuela imported 860,000 MT of U.S. wheat, representing an increase of 30 percent in comparison with

previous year imports. U.S. durum imports have contributed to a major recovery of U.S. market share: they were up by 71 percent over the previous period.

Total wheat consumption showed some growth in 2003/04 at 1,540 MT and it is expected to make some gains in 2004/2005 to 1,555 MT due to the fact that some millers have increased their production and have agreed to distribute and sell pasta and flour through the government's Mercal stores below commercial market prices. Wheat consumption for 2005/2006 is forecast to remain at the same levels if not increase since pasta is a staple commodity.

Rice: (PSD Code: 1060) 1,000 Metric Tons	2004	2005	2006
A. Total local market size	570	617	597
B. Total Local Production	523	627	627
C. Total Exports	50	20	60
D. Total Imports	97	10	30
E. Imports from the U.S.	94	10	30

Rice

In the past two years production has been down due mainly to lack of rain in the main irrigation district, as well as reduced plantings and yields. However, stronger rice prices and better weather conditions have led to an increase in the area harvested and milled rice production for the 2004/05 period is expected to increase to 425,000 MT. Production in 2006 is forecast to remain steady at 425,000 tons of milled rice.

Figures from the Venezuelan Millers Association point out that the Government, through the MERCAL chain, a government entity created for the commercialization and marketing of food products at lower prices, distributes 45 percent of the table rice in the country, and nine of the main mills supply rice to this government entity. Domestic producers and millers have not been allowed to export, and exports are estimated to fall to 20,000 MT in 2005. The fact that rice is sold at the government stores at a controlled price of Bs. 990/kg (US \$ 0.51) naturally leads to informal sales to Colombia.

Oilseeds

Despite the Government of Venezuela's (GOV) plans to increase agricultural production, the oilseed sector shows neither significant growth nor major developments. Venezuela is a net oilseed importer due to its minimal oilseed production and a relatively small crushing capacity.

The food industry, animal feed processor sectors and soap and detergent industries heavily depend on soybean oil and soybean meal imports. South American countries like Argentina, Brazil, Paraguay, Uruguay, and Bolivia are Venezuela's mayor oilseed suppliers because of tariff preferences given by Venezuela. In addition, imports of oilseeds from countries members of the ALADI agreement (Latin American Integration Association) are exempt of the foreign exchange restriction.

	2004*	2005*	2006*
Soybean Meal (PSD Code: 0813100)			
1000 Metric Tons			
A. Total Market Size	715	745	755
B. Total Local Production	15	14	20
C. Total Exports	0	0	0
D. Total Imports	700	731	735
E. Imports from the U.S.	110	120	120

* Note: Data is presented on a marketing year basis (i.e. October 2003-September 2004 for the 2004 year)

Soybean Meal

To meet the needs of the domestic animal feed industry, Venezuela imports most of its protein meals. Soybean meal imports in 2005/06 are expected to increase between 6 and 7 percent because of higher demand of the animal feed processing industries.

Soybean Oil (PSD Code: 1507100)	2004*	2005*	2006*
1000 Metric Tons			
A. Total Market Size	305	325	345
B. Total Local Production	3	3	5
C. Total Exports	0	0	0
D. Total Imports	302	322	340
E. Imports from the U.S.	1	0	0

* Note: Data is presented on a marketing year basis (i.e. October 2003-September 2004 for the 2004 year)

Soybean Oil

Since 2003, the GOV has imported processed oilseed products from South American countries. This trend continued during 2004 as the GOV has sponsored buying missions to Argentina and Brazil. Consequently, the GOV continues to import processed oilseed products such as blended oil, soybean and sunflower seed oil and margarine. Imports are carried through the GOV's procurement entity, CASA. These imports are neither subject to foreign exchange control nor to the import license scheme. The GOV imports of processed oilseed products are estimated between 30,000 to 35,000 metric tons.

V. KEY CONTACTS AND FURTHER INFORMATION .

Ministerio de Agricultura y Tierras (equivalent to the Department of Agriculture)

Av. Este 6 entre Esquina Colón y Dr. Díaz,
 Antigua Sede del BTV. Piso 2, (Frente Cartografía Simón Bolívar)
 Caracas, Venezuela
 Tel: (58-212) 509-0445/0121/0111
 Fax: (58-212) 574-2432
www.mat.gov.ve

**Ministerio de La Salud y Desarrollo Social (MSDS) División Higiene de Alimentos
(equivalent to the FDA)**

Edificio Sur, Piso 3, Ofic. 313
Centro Simón Bolívar, Caracas
Tel: (58-212) 483-1533/484-3066
Fax: (58-212) 483-1533
www.msds.gov.ve
Director: Dr. Ramón Ernesto Perdomo

**Servicio Autónomo de Sanidad Agropecuaria SASA
(equivalent to the Animal and Plant Health Inspection Service)**

Av. Este 6 entre Esquina Colón y Dr. Díaz, Antigua Sede del BTV, PB,
(Frente a Cartografía Simón Bolívar) Caracas, Venezuela
Tel: (58-212) 509-0595/ 509-0186
Fax: (58-212) 571-4117
email: SASADGS@hotmail.com
www.SASA.gov.ve

**Ministerio de Alimentación (MINAL) and Corporación de Abastecimiento y Servicios
Agrícolas (CASA)**

Av. Fuerzas Armadas
Esquina de Socarrás
Antiguo Edif. Seguros Orinoco
Piso 3
Tel: (58-212) 564-1883
Fax: (58-212) 564-8303
Minister: General Rafael Oropeza

Exchange Control Administration Commission

Comisión de Administración de Divisas (CADIVI)
www.cadivi.gov.ve

Fondonorma (COVENIN -Venezuelan Standards Agency)

Director de Seguimineto y Control
Servicio Autónomo
Dirección de Normalización y Certificación de Calidad
Avenida Andrés Bello,
Edificio Torre Fondo Común, piso 11
Caracas, Venezuela
Tel: 58-212-575-4111
Fax: 58-212-574-1312/576-3701

Instituto Nacional de Estadísticas (INE) (Former OCEI)

(National Statistics Office)
Avenida Boyacá, Edificio Fundación La Salle
Maripérez
Caracas, Venezuela
Tel: 58-212-781-1380
Telefax: 58-212-781-5412 782-1156

Bolsa de Productos e Insumos Agropecuarios de Venezuela, BOLPRIAVEN

Torre El Chorro - PH
Av. Universidad, Esq. El Chorro
Diagonal Banco Union, Caracas
Tel. (58-212) 564.7446 - 564.9556
Fax (58-212) 564.6894

Camara Venezolano-Americana de Comercio e Industria (VENAMCHAM)

(Venezuelan-American Chamber of Commerce)
2da.Av. de Campo Alegre, Torre Credival, Piso 10, Ofic.A, Caracas 1060, Venezuela
Apartado Postal 5181 (Caracas 1010-A)
Tel.: 58-212-263-0833/267-20-76/64-81
Fax: 58-212-263-20-60

Federacion Venezolana de Camaras y Asociaciones de Comercio y Produccion (FEDECAMARAS)

(Venezuelan Federation of Chambers and Associations)
Edf. Fedecameras, PH 1 y 2, Av. El Empalme, Urb. El Bosque, Caracas 1050, Venezuela
Apartado de Correos 2568 (Caracas 1010-A)
Tel.: 58-212-731-17-11/17-13/18-45/19-32/19-67
Fax: 58-212- 730-2097 – 731-1907
www.fedecamaras.org.ve/

Confederacion Nacional de Asociaciones de Productores Agropecuarios (FEDEAGRO) (National Confederation of Agricultural Producers)

Edf. Casa de Italia, P.B., Av. La Industria, San Bernardino, Caracas, Venezuela
Tel.: 58-212-571-40-35/573-44-01
Fax: 58-212-573-44-23
www.fedeagro.org/

Asociacion de Supermercados y Autoservicios (ANSA) Supermarkets

Ave. Principal de los Ruices
Centro Empresarial Los Ruices
Piso 1, Ofic. 116
Caracas 1071, Venezuela
Tel: 58-212-234-4490/235-7558
Fax: 58-212-238-0308
www.ansa.org.ve

Camara Venezolana de la Industria de Alimentos (CAVIDEA) Food

Av. Principal de Los Ruices
Centro Empresarial
Piso 5, Of. 510
Los Ruices
Caracas, Venezuela
Tel: 58-212-239-9818/0918
Fax: 58-212-238-3268
<http://www.cavidea.org.ve/>

Camara Venezolana de Franquicias (PROFRANQUICIA) Franchising

3ra. Transversal de Altamira con Avdas. Luis Roche y Juan Bosco,
 Oficentro Neur, Ofc. 4
 Caracas, Venezuela
 Tlf. 58-212-266-8494/261-8613
 Fax 58-212-261-9620
www.profranquicias.com

Mercado de Alimentos MERCAL C.A.

www.mercal.gov.ve/

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 websites: www.fas.usda.gov
www.embajadausa.org.ve/usda.html (Caracas)

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries (2004)	\$2.1 billion
U.S. Market Share	19%
Total Population (Millions)	26
Number of Major Metropolitan Areas	6
Size of the Middle Class	17%
Total Gross Domestic Product (2004)	\$110 million
Unemployment Rate	11%
Exchange Rate	US\$1= 2,150 Bolivares